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In the Supreme Court of the United States

OCTOBER TERM, 1947

No. —

UNITED STATES OF AMERICA, PETITIONER

v.

THE COLD METAL PROCESS COMPANY, ABRAM P. STECKEL AND THE UNION NATIONAL BANK OF YOUNGSTOWN, OHIO, TRUSTEE OF THE LEON A. BEEGHLY FUND

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT

The Solicitor General, on behalf of the United States, prays that a writ of certiorari issue to review the judgment of the United States Circuit Court of Appeals for the Sixth Circuit, entered in the above entitled case on December 12, 1947, affirming the dismissal of the Government's action to cancel *ab initio* certain patents because of fraud in the procurement thereof.

OPINIONS BELOW

The findings of fact, conclusions of law, and memorandum opinion of the District Court of the United States for the Northern District of

Ohio, Eastern Division (R. I 79–104),[1] are reported in 62 F. Supp. 127. The opinion of the United States Circuit Court of Appeals for the Sixth Circuit (R. I 280–283) is reported at 164 F. 2d 754, and 76 U. S. P. Q. 6.

JURISDICTION

The judgment of the Circuit Court of Appeals was entered on December 12, 1947 (R. I 280). The jurisdiction of this Court is invoked under the provisions of Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTIONS PRESENTED

1. Whether, in the light of the undisputed facts disclosed herein, the conduct of respondents and those associated with them in procuring the issuance of Letters Patent Nos. 1,744,016 and 1,779,195 has so violated the standards enunciated in *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. 238, and *Precision Instrument Co.* v. *Automotive Co.*, 324 U. S. 806, as to require cancellation *ab initio* of those patents for fraud.[2]

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[1] The printed record herein consists of ten volumes. Four volumes are numbered I to IV, inclusive, and the other six, consisting of exhibits, are lettered A to F, inclusive. Record references will thus appear, for example, as (R. I 97) and (R. B 42).

[2] A subsidiary question presented is whether, if Patent No. 1,744,016 is not cancellable for fraud, it should be cancelled on the ground of mutual mistake of fact. See note 14, p. 15, *infra*.

2. Whether statutory oaths filed in the Patent Office in support of patent applications are mere matters of routine, not to be relied upon by that agency as stating the truth of the facts therein set forth.

STATEMENT

The United States filed a complaint on July 27, 1943, against respondents herein [3] in the United States District Court for the Northern District of Ohio, Eastern Division, seeking cancellation *ab initio* of Steckel Patents No. 1,744,016 (Patent '016) and No. 1,779,195 (Patent '195), issued to respondent The Cold Metal Process Company (Cold Metal) as assignee of respondent Steckel. The complaint alleged that the procurement of these patents had been influenced by the perpetration, by respondents and those acting for them, of various frauds upon the Commissioner of Patents, or alternatively that Patent '016 had been procured as a consequence of mutual mistake of fact upon the part of the applicant and the Commissioner (R. I 10–22). Respondents' answer generally denied the charges made, although admitting many of the facts alleged (R. I 23–37).[4]

[3] Subsequent to trial the Union National Bank of Youngstown, Ohio, Trustee of the Leon A. Beeghly Fund, to which the patents were conditionally assigned while the proceeding was pending, was added as a party defendant in fulfillment of the requirement imposed by the District Court as a condition to permitting the assignment.

[4] Prior to trial, the District Court, on respondents' motion for partial summary judgment under Rule 56 (R. I

The patents in question relate to processes for the hot and cold rolling of sheet and strip steel and other metals and, as asserted by respondents in patent infringement litigation and by license, have served to dominate a large section of the sheet and strip metal industry basic to the economic life of this country both in time of peace and war.

The pertinent facts relating to the alleged fraudulent acts, taken mainly from the district court's findings (R. I 79–98) and in part from undisputed documents,[5] may be briefly summarized as follows:

1. *Contract, plan, and concealment.*—In December 1926, Walter J. Blenko, then an employee, and

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41–45), held that the United States could not, in this proceeding, attack the validity of the patents in suit for any alleged error of law or judgment on the part of the Patent Office, but could seek cancellation for fraud or mutual mistake of fact (R. I 63–71, 77). Simultaneously, in order to preserve the status quo, the court, on the motion of the United States, enjoined respondents from receiving any further monies on account of these patents, until entry of final judgment (R. I 75–76, 108). *United States* v. *Cold Metal Process Co.*, 57 F. Supp. 317. There has been deposited in the Registry of the District Court approximately $10,000,000 pursuant to this order (R. I 162, 171, 174, 182, 191).

[5] The United States generally has no quarrel with the District Court's findings of underlying fact so far as they go. In large measure, they conform to the allegations of the complaint (compare R. I 10–22 with R. I 79–98). However, these findings are deficient, particularly in regard to the Clark affidavits, *infra*, pp. 12–16, in that they fail to set out all of the pertinent undisputed facts. We do not, of course, accept the trial court's inferences as to the good faith of the parties (e. g., R. I 86, 97).

later a partner in Byrnes, Stebbins & Parmelee (Byrnes firm),[6] a Pittsburgh patent law firm, discovered that the firm was prosecuting two conflicting patent applications for different clients and that both applications disclosed common subject matter in regard to the application of antifriction (roller) bearings to the backing rolls of 4-high rolling mills designed to reduce the thickness of steel or other metals (R. I 82). One was the Steckel application, Serial No. 648,761, filed June 30, 1923, and assigned to Cold Metal; the other was the Biggert & Johnson application (Biggert application), Serial No. 103,264, filed April 20, 1926, and assigned to United Engineering and Foundry Company (United).[7]

Both applicants were advised of the discovery of the conflict and the firm suggested that it would withdraw unless the parties arrived at some satisfactory arrangement (R. I 82–83). Several conferences at which common counsel was present were had in May and June 1927, at which

[6] The firm name was later changed to Byrnes, Stebbins, Parmalee & Blenko, and finally to Stebbins, Blenko & Webb.

[7] At the time the conflict was discovered, the Patent Office had rejected all Steckel claims to the common subject matter for want of patentability over the prior art (R. A 61–62, 71–72); Steckel had acceded to the rejection and had cancelled all such claims from his application (R. A 64, 98). Three other limited claims had been conditionally allowed—"as at present advised," but these claims were, as frequently happens, later rejected or cancelled (R. A 71, 98, 135). Similarly, all claims then in the Biggert application had also been rejected (R. A 414, 424) and were later cancelled (R. A 425).

it appeared that United was interested in building and selling rolling mills and Cold Metal wished to collect royalties on the alleged invention (R. I 83). As a result, the commercial differences of the parties were settled by a contract executed on June 20, 1927 (R. I 83), providing in paragraph 3 that "when and if such claim or claims to common subject-matter are granted in any patent issued on Cold Metals' applications," Cold Metal shall grant United an exclusive license thereunder, subject to certain reservations in favor of Cold Metal (R. I 83–84). The contract also provided, *inter alia*, that a conference should be held at which common counsel would suggest a plan for securing the allowance by the Patent Office of claims to the conflicting common subject matter which claims were not then pending in the Steckel application (R. I 83). It further provided (R. I 83–84):

* * * * *

> 2. Cold Metals shall not, after such conference, present in its applications claims of the scope suggested at the conference, or directed to the subject-matter common to both parties' applications, if such claims are broader or of different scope than the claims now presented in Cold Metals' applications, *except with the agreement and cooperation of United.* (Emphasis supplied.)

* * * * *

Immediately following the signing of the contract, Stebbins of the Byrnes firm informed the

parties that the conflicting subject matter related to 4-high mills with roller bearings on the backing rolls and that the Steckel application had the earlier filing date (R. I 84).[8] As the best plan of procedure to secure the allowance of the common subject matter claims, Stebbins suggested that the matter be discussed with the Patent Office Examiner to see if the common subject matter claims could be formulated in the later filed Biggert application, since the Byrnes firm believed that the Patent Office could be persuaded to allow such claims to Biggert on the strength of the added argument of United's considerable commercial success with such mills (R. I 84). The parties agreed to this plan and agreed further, the trial court found, that "such claims as might be allowed in the Biggert and Johnson application and which would be broad enough to be read also on the Steckel application would be transferred into the Steckel application" (R. I 84).

Pursuant to the plan, Messrs. Blenko and Stebbins of the Byrnes firm, together with representatives of United, had an interview on June 27,

[8] The District Court found that at that time neither party personally had access to the other's application; that Cold Metal did not have access to the disclosure of the Biggert application until after the issuance of the Biggert patent on December 27, 1927; and that United did not have access to the disclosure of the Steckel application until January, 1929 (R. I 85). The Byrnes firm which represented both parties, was, of course, thoroughly familiar with both applications, inasmuch as Blenko was in charge of both cases.

1927, at the Patent Office, at which the Examiner was urged to allow a patent to Biggert on the 4-high roller-bearing mill because of the commercial success attained by United in selling such mills. (R. I 85). United's representatives did not mention the Steckel application at this interview in accordance with the instructions of the Byrnes firm (R. I 85; II 52), which feared that "If the attention of the Examiner had been called to the Steckel application, the Examiner might have declared an interference which would have delayed an issuance of any patent to Biggert and Johnson for some months and might have prevented its issuance altogether" (R. I 85; II 131–132).

On July 22, 1927, the Byrnes firm amended the Biggert application by inserting 10 new claims directed to the common subject matter and urged United's commercial success with the mill as evidence of real invention on the part of Biggert and Johnson (R. I 85, A 425–429). A continuation-in-part application* was subsequently filed on October 24, 1927, expanding the disclosure of the original application (R. I 85, B 3 *et seq.*), which, after two supplemental amendments, the second filed on November 30, 1927 (R. B 31, 39), and an

* As explained by Thomas E. Robertson, formerly a Commissioner of Patents (R. II 229–230), a continuation-in-part application is filed where an application is already pending and the applicant, having made an improvement, wishes to file a new application in place of the old one, but desires to embody in the new application not only what is in the old application but the improvement as well.

interview between Blenko and the Examiner (R. D 429, B 34), was finally allowed on November 30, 1927 (R. B 40). The final fee required before the patent could issue was paid the same day (R. B 41), and on December 27, 1927, Biggert and Johnson Patent No. 1,654,235 containing 13 claims was issued (R. I 85).[10] In support of the continuation-in-part application and the amendment to the original application filed after the adoption of the contract and plan, oaths by Biggert and Johnson were filed asserting in substance that they believed themselves to be the original and first inventors of the subject matter of the claims then being prosecuted and that the invention had not been on sale or in public use for more than two years prior to the date of their application (R. I 85–86; A 446; B 25). These oaths were filed despite the arrangement, not revealed to the Patent Office, that the claims thus being sought in behalf of Biggert and Johnson were ultimately to be transferred to Steckel (R. I 84).

From June 20, 1927, to the payment of the final fee in the Biggert application on November 30, 1927, the Byrnes firm made no effort whatever to prosecute the Steckel application (R. A 73–79). However, on January 16, 1928, 20 days after the issuance of the Biggert patent, Blenko at an interview with the Examiner advised him for the

[10] As to these claims, the Patent Office was thereby rendered powerless to recall its grant or to take the position that the same were unpatentable.

first time of the "discovery" (which in fact had occurred 2 years earlier, long before the issuance of the Biggert patent) of the conflict between the Steckel application and the Biggert patent, and mentioned the prospect of an interference based upon claims to be copied by Steckel from that patent (R. III 866–7, D. 429). Prosecution of the Steckel application was then resumed on May 23, 1928, when the Byrnes firm amended the Steckel application by copying into it 12 claims of the Biggert and Johnson patent. The claims were copied into the Steckel application for purposes of interference in accordance with the original plan (R. I 84, 86). The interference thus provoked was declared by the Patent Office, on September 8, 1928 (R. I 86–87). Pursuant to the firm's advice to both clients, neither party filed a preliminary statement, and the Patent Office accordingly awarded all 12 claims by default to Steckel on December 6, 1928 (R. I 87).[11]

2. *False representations to Commissioner of Patents.*—On October 3, 1930, just prior to the issuance of Patent '195, United, by new counsel,[12] petitioned the Patent Office to reopen the inter-

[11] The claims thus allowed were, on February 21, 1929, cancelled, without prejudice, from the original Steckel application and were later embodied in a divisional Steckel application, Serial No. 412,721, on which Patent '195 ultimately issued on October 21, 1930 (R. I 87). See *infra*, p. 12.

[12] On October 3, 1930, the formal power of attorney of the Byrnes firm as attorneys of record for Biggert and Johnson in the Patent Office was revoked (R. I 87).

ference between the Steckel application and the Biggert and Johnson patent, earlier concluded without contest (*supra,* p. 10), and to suspend the issuance of a patent to Steckel (R. I 87; B 59–66). Accompanying this petition was an affidavit of Florence C. Biggert, Jr., vice-president of United, setting out the contract of June 20, 1927 (R. B 67–76). The petition and affidavit, the District Court found, contained "all pertinent facts in regard to the dealings between United and Cold Metal and the alleged plan" (R. I 87–88), *supra,* p. 7. As urged by Steckel, the Commissioner of Patents on October 8, 1930, denied the petition, holding that United was guilty of laches in waiting some 22 months to seek a reopening (R. I 88; B 89, 104–106). On October 10, 1930, however, the Commissioner wrote to the Byrnes firm, in which he referred to United's petition and supporting affidavits and called upon the Byrnes firm to explain its conduct in so handling the two applications as to cause the Patent Office naturally to infer that there was no conflict between them, as a result of which the Patent Office was put in the position of issuing two patents on the same invention to separate clients of the same firm (R. I 88, F 67).

In explanation of its conduct, the Byrnes firm, in a letter to the Commissioner dated October 13, 1930 (R. I 88–89, F. 70), stated unequivocally that the petition of United "did not correctly state the facts", and stated affirmatively and repeat-

edly that "it was not our plan to get the claims issued in Biggert and Johnson and then transfer them to Steckel." This representation was contrary to the truth as to the provisions of the plan as found by the District Court (R. I 84):

> It was agreed by the parties that this procedure should be followed and that such claims as might be allowed in the Biggert and Johnson application and which would be broad enough to be read also on the Steckel application would be transferred into the Steckel application.

In view of the high regard which he held for Stebbins and considering the statements made by the Byrnes firm in this letter and all the facts available to him in the record, the Commissioner determined to let the case take its ordinary course, rather than to withdraw the application from the allowance stage under Rule 165 of the Rules of Practice, permitting such action upon a showing of fraud even after payment of the final fee (R. I 89). As the result of accepting as true the false representations of the Byrnes firm, as against those of United, here shown to be true, the Commissioner permitted Patent '195 to issue on October 21, 1930 (R. I 89).

3. *Clark affidavits.*—Meanwhile, after the award of the common subject matter claims to Steckel, but before United's petition, the events provoked thereby, and the issuance of Patent '195

(*supra*, pp. 10–12), respondents resumed the prosecution of the remaining claims in the original Steckel application. On July 29, 1929, Steckel filed a supplemental amendment to his original application, adding product claims and asserting under oath, in a broad amplification of the specification filed more than six years after the original filing of the application, that he had discovered that his cold rolling process was inherently "revolutionary" (R. A 112) in that the metals it produced were characterized by "random orientation" (helter-skelter arrangement of grains) of crystalline structure, rather than by "preferred orientation" (meaning non-preferred orientation in the direction of rolling) characteristic of all prior cold rolling processes (R. A 103–113).[13] This representation, he stated, was readily demonstrable by X-ray patterns made by the so-called monochromatic pin-hole method (R. A 105). In support of these verified representations, respondents filed an affidavit, dated July 22, 1929, of Professor George L. Clark of the University of Illinois, in which Professor Clark stated that random orientation was "more nearly approached" "in *all* of the many samples of Steckel rolled metal, both ferrous and non-

[13] The crystal grains of steel in its natural hot rolled state are in random orientation, a much more desirable situation than preferred orientation, the latter condition being traditionally regarded as the inevitable although undesirable concomitant of the cold rolling of metals.

ferrous," examined by him than in metals rolled by other methods (emphasis supplied) (R. A 116–122, 121).

On the basis of these representations, the Patent Office on August 14, 1929, allowed all of the previously rejected process and apparatus claims, but rejected those directed to the "revolutionary" product on more or less technical grounds (R. A 123). Thereafter, on October 17, 1929, Steckel filed a further amendment adding more product claims, amending others, and reiterating under oath the representation that the Steckel product was characterized by highly desirable random orientation of the crystalline structure (R. A 126, 131). An additional affidavit of Professor Clark was also filed on October 24, 1929, in which he asserted that the "Steckel process is superior to all others, * * * in that the prior processes produced preferred orientation while the Steckel process, by reason of the balance between tensile and rolling forces, gives random orientation" (R. A 132–133). The Patent Office on the basis of these unqualified representations then finally allowed the application including the product claims on December 11, 1929 (R. I 93, A 136). Patent '016 issued on January 14, 1930 (R. A 1).

The District Court, in making its findings on this aspect of the case, made no findings as to the following further undisputed facts, on which the United States based its complaint that the representations made under oath in the amendments of July 30 and October 17, 1929, and in the sup-

porting affidavits of Professor Clark dated July 22, and October 24, 1929, respectively, were such as to constitute fraud upon the Patent Office:

On May 7, 1929, Professor Clark had reported to respondents that the X-ray pattern of the first sample of Steckel steel examined by him "shows the material to be highly fibered, that is, oriented in the preferred direction" (R. B 340). He further reported to respondents on July 15, 1929, that an X-ray examination of the crystalline structure of a sample of steel rolled on the prior art Coryell mill disclosed that it was, if anything, "better" in respect to orientation than the Steckel samples he previously had examined (R. B 369–370). On September 9, 1929, Professor Clark, after examining several specimens of metal rolled on Steckel and other earlier mills, reported to Cold Metal that at least one pre-Steckel product compared favorably with the Steckel product (R. B 388–390, C 36).[14]

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[14] In connection with the Government's contention that Patent '016 should be cancelled for mutual mistake of fact, additional undisputed evidence not referred to by the District Court or the court below is pertinent. For example:

Professor Clark, together with his assistant Dr. Wayne A. Sisson, continued on behalf of respondents their X-ray examination of Steckel and prior art metals after the issuance of Patent '016. In a comprehensive report to respondents on May 29, 1931, as to all work done subsequent to the issuance of Patent '016 on the effect on grain structure of all of the variable factors in metal rolling on Steckel and conventional rolling mills, they concluded in effect that Steckel rolled metals were no different from metals rolled on other mills

Meanwhile, upon request of respondents, Dr. F. C. Blake of Ohio State University, likewise tested samples of Steckel steel by the monochromatic pin-hole method, the same method used by Clark, as well as by the "powder" method, and reported on June 27, 1929, that both methods disclosed that Steckel rolled steel was characterized by preferred orientation (R. D 496–497). On July 3, 1929, Blenko, having been advised of Dr. Blake's adverse findings (R. D 499), took the position that the report of Dr. Blake did not "appear to check out at all satisfactorily" with Clark's, and that he preferred "to follow Prof. Clark" (R. D 501). Although Dr. Blake was willing to continue his examination of Steckel products, respondents were not interested (R. D 498–499). The facts set forth in the last two paragraphs were not revealed to the Patent Office.

Proceedings in the courts below.—In the District Court as well as in the court below, the United States contended that these facts revealed clearly that the contract and plan, the concealment of the plan by

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(R. C 321, 363–365). On April 25, 1932, Professor Clark wrote to Cold Metal: "I shall always contend that our basic principle is correct and that the process always will tend in the direction of random orientation of grains. It is perfectly true, however, that long experience has shown us that oftentimes this is a tendency rather than an accomplished fact." (R. C 522). See, also, Professor Clark's letter of April 15, 1935 (R. C 546). On November 8, 1944, he further wrote: "* * * in light of our extended work published in 1933, * * * it is not possible to maintain under any conditions that the Steckel mill produces sheet steel which is always characterized by random orientation" (R. D 15).

Blenko and his firm, and the representations in the Clark affidavits were fraudulent, and that accordingly, both Patents '016 and '195 should be cancelled *ab initio* for fraud in the procurement. The District Court, however, although finding the underlying facts substantially as alleged by the Government, concluded that there was no fraud (R. I 98–104). The Circuit Court of Appeals, accepting in their entirety the findings and conclusions of the District Court, affirmed the District Court's judgment (R. 280–283).

SPECIFICATION OF ERRORS TO BE URGED

The Circuit Court of Appeals erred:

1. In failing to hold that the circumstances here disclosed required the cancellation *ab initio* of the patents involved.

2. In failing to hold that the contract and plan of June 20, 1927, and the resultant conduct of the parties pursuant thereto, had so violated the uncompromising duty of disclosure and honesty owed to the Patent Office as to require the cancellation *ab initio* of the patents here involved.

3. In holding that, since the representation of the conflicting interests of Steckel and Biggert and Johnson by the Byrnes firm was by their express consent, that firm acted in strict accord with the sixth canon of ethics of the American Bar Association, and that, therefore, the patents here involved were not tainted by fraud in the procurement.

4. In failing to hold that the Byrnes firm's letter of October 13, 1930, to the Commissioner of Patents was intended to, and did, mislead the Commissioner of Patents so that he permitted the issuance of Patent '195.

5. In accepting the District Court's findings of fact as complete in regard to the Clark affidavits and in failing to hold that on the undisputed facts, respondents, in the circumstances surrounding those affidavits, had so violated their duty to the Patent Office as to warrant the cancellation *ab initio* of the patents here involved.

6. In failing to hold that Patents '195 and '016 were so interrelated that the frauds committed in connection with the plan and contract tainted Patent '016, and the fraudulent misrepresentations in the Clark affidavits tainted Patent '195.

7. In failing to hold that, if Patent '016 were not tainted with fraud, it was issued as a result of mutual mistake of fact.

8. In failing to hold that the United States in seeking to cancel these patents for fraud did not have the burden of proving common law fraud.

9. In failing to hold that the assertions contained in the oaths of Biggert and Johnson filed in connection with the supplemental amendment and their continuation-in-part application were not considered by the Patent Office as routine and were relied upon by that agency as stating the correct facts in the ultimate allowance of the patent.

10. In imparting validity to the patents here involved; in holding that these patents had both previously been held valid in extended prior litigation; and in failing to hold that in a proceeding for cancellation of patents *ab initio* for fraud or mistake these considerations and the asserted commercial success of the inventions disclosed in these patents are irrelevant.

11. In failing to hold that the United States was not barred by laches to maintain the present proceeding.

12. In failing to hold that in the circumstances of this case, the United States was not estopped to seek the cancellation of the patents here involved on the ground of fraud.

13. In affirming the judgment of the District Court.

REASONS FOR GRANTING THE WRIT

1. For the purpose of showing the need for review by this Court, it is sufficient to emphasize one phase of respondents' misrepresentations which is established by the District Court's findings. The plan to proceed first to obtain allowance of the Biggert patent and then to transfer the Biggert claims to the Steckel application, irrespective of which party was the true inventor, was deliberately concealed from the Patent Office both at the time the common attorney for respondents and United was urging the Patent Office to grant the patent to Biggert (R. I 85),

and subsequently when the Byrnes firm, in answer to an inquiry from the Commissioner of Patents, flatly—and falsely—denied the existence of the plan (R. I 85). The District Court nevertheless concluded (R. I 100–101) that there was no fraud because common counsel, the Byrnes firm, having received consent from each client to continue as counsel after having made disclosure of its retainer by the other, properly continued to handle the two applications as if they were being handled by two separate law firms. But the facts found by the trial court show that the firm had brought the two clients together into a common plan for their joint benefit, and that its activities, purportedly on behalf of each applicant separately, were actually in pursuance of a common scheme. The concealment of the plan both negatively and by an affirmative falsehood in the letter to the Commissioner was apparently regarded by counsel as essential to its success.

The court below found that there was no fraud because the Byrnes firm's conduct "was in strict accord with the Sixth Canon of Ethics", because the Patent Office "necessarily was aware" that the one firm was representing the two parties with respect to patent applications covering the common ground, and because the Commissioner was aware (as a result of Biggert's disclosure) of the contract of June 20, 1927. But Biggert's disclosure to the Patent Office hardly renders less fraudulent respondents' counsel's false de-

nials of the facts Biggert had belatedly disclosed—denials which succeeded in their aim of misleading the Commissioner who was inquiring as to the truth of Biggert's revelations. Furthermore, although the firm's conduct with respect to its clients may have comported with the Sixth Canon of Ethics of the American Bar Association insofar as the duties to the clients were concerned, neither that canon nor any other permits bringing the clients together in a common plan and then concealing that fact by deliberate falsehood for their mutual benefit. In substance the decision means that conduct which is lawful with respect to the private parties concerned, but deliberately and successfully misleading in so far as the Patent Office is concerned, is not to be regarded as fraudulent if the Patent Office became aware through other sources, or should reasonably have become aware, of the facts concealed.

In finding such conduct not to be fraudulent the court below has, in our opinion, adopted an improper standard for determining whether representations to the Patent Office are fraudulent. We think it clearly would be dangerous from the standpoint of the public interest in avoiding the creation of patent monopolies on the basis of misleading representations to leave the decision below unreversed. Furthermore we submit the standard adopted by the court below is far out of harmony with the reasoning of this Court in *Precision Instrument Co.* v. *Automotive*

Maintenance Co., 324 U. S. 806, and *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. 238.

2. Patents constitute "an exception to the general rule against monopolies and to the right to access to a free * * * market" (*Precision Instrument Co.* v. *Automotive Co.*, 324 U. S. 806, 816), and hence the possession and assertion of patent rights are "issues of great moment to the public." *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. 238, 246; *Precision Instrument Co.* v. *Automotive Co., ibid.* See also, *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661, 665; *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488, 492–493; *United States* v. *Masonite Corp.*, 316 U. S. 265, 278.[15] Because of the exceptional nature of patents there is an uncompromising duty on all applicants and parties to Patent Office proceedings "to report to it all facts concerning possible fraud or inequitableness underlying the

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[15] The failure of both courts below to appreciate that the instant proceeding was brought by the United States to protect the public and not to vindicate private rights is further illustrated by the language in both opinions intimating (1) contrary to the established rule (see e. g., *United States* v. *Summerlin*, 310 U. S. 414, 416, and cases cited), that since the United States had brought the proceeding 13 years after the issuance of the patents, it might be barred by laches (R. I 102, 283), and (2) that the United States is now estopped to attack the patents because certain officials of the Patent Office were put on notice of certain phases of the contract and plan and the manner in which they were carried into effect (R. I 102–3, 282). Cf. *Federal Crop Insurance Corp.* v. *Merrill*, 332 U. S. 380.

applications in issue." *Precision Instrument Co.* v. *Automotive Co., supra,* at 818. It is only by the imposition of such rigid standards of honesty and integrity that that agency can "act to safeguard the public against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.' *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co., supra,* 246." *Precision Instrument Co.* v. *Automotive Co., ibid.;* cf. *Federal Communications Commission* v. *WOKO,* 329 U. S. 223.

From these cases, it appears that the concealment or deception need not be actually relied on by the Patent Office as the basis of action taken. Because of the secrecy surrounding pending applications adopted for the protection of the applicants, their non-adversary character, and the consequent necessity for the Patent Office to rely upon the integrity of the representations made by applicants and petitioners before it (see letter from Commissioner of Patents, *infra,* pp. 37–40), the fact of intentional concealment or deception itself is in many instances of greater significance than the facts concealed, and hence it is sufficient that the parties perpetrating such scheme think it material or indulge in such activity in order to influence administrative action. *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co., supra; Federal Communications Commission* v. *WOKO,* 329 U. S. 223, 227. It also is unnecessary that the conceal-

ment or deception relate directly to the claims ultimately awarded in the patent sought to be cancelled.[16] *Precision Instrument Co.* v. *Automotive Co., supra.* Nor is it material whether the patents involved in fact embody invention and therefore would otherwise be valid.[17] *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co., supra,* at 247.

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[16] In the instant case, the contract and plan, *supra*, pp. 4–10, related primarily to the claims allowed in Patent '195, and the Clark affidavits, *supra*, pp. 12–16, related to those allowed in Patent '016. However, contrary to the District Court (R. I 92–93), the fraud practiced in connection with each group of claims tainted not only the immediate patent but the other patent as well. The '195 claims were not separated out of the Steckel basic application until after the purpose of the contract and plan had been achieved, and these claims were still pending in the Patent Office while respondents were utilizing the Clark affidavits to induce the Patent Office to allow the claims ultimately included in Patent '016. The fraudulent misrepresentations to the Commissioner, *supra*, pp. 10–12, tainted only Patent '195, since they were made in October 1930, after the issuance of Patent '016 in January 1930.

[17] The validity of the patents here involved is not in issue in the present posture of the case. See *supra*, pp. 3–4, fn. 4. It may be noted in passing, however, that contrary to the court below (R. I 281), these patents have not been held valid in the cases cited or elsewhere. (a) *Cold Metal Process Co.* v. *United Engineering Co.*, 3 F. Supp. 120 (W. D. Pa.), 68 F. 2d 564, certiorari denied, 291 U. S. 675, involved only Patent '195, and there the Circuit Court of Appeals for the Third Circuit dismissed United's appeal on the ground that a licensee is estopped to contest the validity of its licensor's patent. (b) Although the same circuit, in its opinion published in 108 F. 2d 322 *sub nom. Cold Metal Process Co.* v. *Carnegie-Illinois Steel Corp.*, did hold both patents valid, that opinion was subsequently expressly withdrawn and the cause dismissed as moot, when, after this Court denied certiorari, 309

The fact that such proceedings in the Patent Office are necessarily secret and non-adversary would appear to impose a greater duty on applicants to disclose all pertinent information than in adversary litigation.

In the light of these standards, this Court held in the *Hazel-Atlas* case that this uncompromising duty was violated when an article written by the applicant's representatives but signed by an ostensibly disinterested expert was filed in the Patent Office in support of the application. Although this Court assumed that the article might have been true and that it played only a subordinate part in the ultimate allowance of the patent (322 U. S. at 247), it nevertheless condemned the transaction as "corrupt" and required that the patent be vacated (322 U. S. at 250, 251). In the *Precision Instrument* case, the departure from the uncompromising duty consisted not in the commission of perjury but rather in the failure to expose perjury to the Patent Office. Cf. *Federal Communications Commission* v. *WOKO,* 329 U. S. 223. The record here, we submit, reveals both a complete disregard on the part of respondents and their counsel for this paramount public interest in patents, and a course of conduct which in several instances violated the uncompromising duty of disclosure owed to the Patent Office as fla-

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U. S. 665, the Circuit Court granted a petition for rehearing, set the case for reargument, but before reargument the parties entered into an agreement settling their differences. 115 F. 2d 33 (C. C. A. 3).

grantly as did the conduct condemned by this Court in the *Hazel-Atlas* and *Precision Instrument* cases.

3 (a). Under the contract and plan, the parties agreed that Steckel was ultimately to secure the common subject matter claims irrespective of which of the parties was the first inventor but that, because of United's commercial success with its mills, the Biggert application should be used as a decoy to obtain allowance of claims previously rejected to Steckel (see n. 7, p. 5, *supra*). This plan was never revealed to the Patent Office while the applications were co-pending. Indeed, while prosecuting the Biggert application pursuant to this undisclosed plan, the parties carefully refrained from discussing the Steckel application with the Examiner or disclosing to the Examiner the agreement that claims being sought in behalf of Biggert & Johnson were, upon allowance, to be transferred to Steckel.[18]

Their purposeful failures to call the Examiner's attention to this arrangement could only

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[18] Although both applications were in the hands of the same Examiner, it was reasonable for him to assume that the common subject matter claims would not be reinstated in the Steckel application. Since both parties were represented by the same attorneys and since these claims had already been cancelled out of Steckel's application, the action of the Byrnes firm in prosecuting the claims in the Biggert application was reasonably calculated to cause the Examiner to infer, under accepted Patent Office practice, that they did not intend subsequently to reinstate these claims in the Steckel application. Cf. R. F 67.

have been to avoid the declaration of an interference which, at that time as the parties recognized, would have delayed the issuance of any patent to Biggert and Johnson for some months and might have prevented its issuance altogether (R. I 85; II 132).[19]

In furtherance of the agreed plan having as its ultimate object the procurement of a patent for Steckel, Biggert and Johnson filed oaths asserting that they believed themselves to be the first inventors of the common subject matter claims, pursuant to Rev. Stat. 4892 (35 U. S. C. § 35) and Rule 46 of the Rules of Practice of the Patent Office (revised October 1, 1927).[20] Regardless of whether they knew Steckel's earlier date of invention, there was at that time a failure, both on their part and on the part of the Byrnes firm, as common attorneys for both parties, properly to treat with the Patent Office. If Biggert and Johnson knew of Steckel's earlier date of invention, their oaths were *ipso facto*

[19] The Byrnes firm's knowledge of this conflict is demonstrated by the fact that after the Biggert patent was issued and beyond recall by the Patent Office, it informed the Examiner of the impending conflict even before Steckel had indicated which of these claims he considered to be supported by his application. By that time, the Patent Office, notwithstanding its prior repeated rejection of such claims in the Steckel application, was committed by the issuance of the Biggert patent to a finding of patentability. See *supra*, p. 9, fn. 10.

[20] Rule 46 in effect at the time these oaths were made has not been changed and is still operative. See Rule 46 of the Rules of Practice of the Patent Office (reprint, September 1, 1947).

false and hence, perjury within the *Precision Instrument* and *WOKO* cases. If, on the other hand, they did not know, then although they believed these oaths to be true, their willingness to agree to the transfer of these claims to Steckel irrespective of that fact likewise violated the fundamental statutory requirement that patents issue only to the first inventor. In any case, the Byrnes firm knew at least of Steckel's three year earlier filing date, if not his earlier date of invention—the latter was, of course, available to it at its request—and its filing of the Biggert and Johnson supplemental oaths in these circumstances constituted a representation, for the benefit of both parties and contrary to the facts, that Biggert and Johnson were entitled to the award of the subject matter being claimed.

The holding of the District Court that the acts of the Byrnes firm in prosecuting the Biggert application were performed solely on behalf of United ignores the fundamental fact that these acts were performed in carrying out a common plan to achieve a common object, *i. e.*, the procurement for the benefit of both parties of an ultimate patent on the common subject matter claims for Steckel, and therefore, that the act of one, in furtherance of the common object is the act of all. *Hitchman Coal & Coke Co.* v. *Mitchell,* 245 U. S. 229, 249, and cases there cited; *Connecticut Mutual Life Ins. Co.* v. *Hillmon,* 188 U. S.

208, 218; *Connolly* v. *Gishwiller,* 162 F. 2d 428, 433–434 (C. C. A. 7).

As a result of this plan, and its concealment, the Patent Office was persuaded, contrary to the requirement that only one patent issue on common subject matter and then only to the original and first inventor (*Kennedy* v. *Hazelton,* 128 U. S. 667, 672), to issue two patents three years apart on claims which it previously had consistently rejected for want of invention, with the further consequence that the period of patent monopoly on the common subject matter claims was expanded from the maximum of 17 years permitted by statute, to 20 years.

Nor was the taint which attached to the patents as a result of the plan and of the parties' activities pursuant thereto cured, as the court below held (R. I 282), as a result of the filing of United's petition of October 3, 1930 to reopen the interference. For the Byrnes firm's letter of October 13, 1930, not discussed by the court below, contradicted such disclosures as were there made by repeatedly denying falsely and contrary to the actual facts, as found by the trial court (see *supra,* pp. 7, 12), that it ever was the intention of the firm or of its clients deliberately to take out claims in the Biggert application simply with the idea of later transferring them to Steckel. *Supra,* pp. 11, 12. The Commissioner of Patents, having high regard for Stebbins of the Byrnes

firm, chose to accept the firm's representations as true, and permitted the Steckel Patent '195 to issue. As the Commissioner testified, had the Byrnes letter admitted the truth of facts set forth in Biggert's petition, he would have withdrawn the Steckel application from the allowance stage, and, among other things, issued an order to show cause why the patent should not be rejected entirely (R. II 193).[21]

(b) Although the representations in the Clark affidavits generally accorded with Professor Clark's letters of May 31 and June 11, 1929, exclusively relied on by the District Court to support its findings (R. I 94), they fail to disclose the conflict between these representations and the reports of Professor Clark made to Cold Metal on May 7, July 15, and September 9, 1929 (*supra*, p. 15). In these reports Clark found, contrary to the unequivocal assertions made in his affidavits—but in accordance with his subsequent admissions (see note 14, pp. 15–16, *supra*)—that at best not all Steckel samples were characterized by random orientation, and that the products rolled on prior art mills at least compared favorably with the Steckel product. Respondents did not reveal to the Patent Office these or the likewise contrary findings of Dr. Blake who, by the same monochromatic pin-hole method used by Professor

[21] Patent '016, having issued 10 months earlier was, of course, long beyond recall even had the Commission not been thus further deceived.

Clark, had found that the Steckel product was not unique and was characterized, along with metals rolled by prior processes, by preferred orientation.

In failing to disclose this information to the Patent Office, respondents, we submit, again breached the uncompromising duty of full disclosure to the Patent Office. On the basis of these reports, respondents had ample reason at least to doubt the correctness of their representations. Despite that fact, they nevertheless not only failed to disclose these conflicting reports to the Patent Office but in the face thereof unequivocally asserted the contrary to be true for the purpose and with the result of influencing Patent Office action (R. I 93). And it was because of these unequivocal representations that the Patent Office, in ignorance of their falsity or doubtful authenticity, permitted Patent '016 to issue including claims which it previously had rejected for lack of invention.

4. The District Court's holding (R. I 86) that oaths such as those of Biggert and Johnson filed in connection with their supplemental amendment and their continuation-in-part application were considered routine by the Patent Office, is squarely opposed to the testimony of Mr. Robertson, who had been Commissioner of Patents at the time the patents here involved were issued (R. II 227–228). As there appears and as stated in the letter from the present Commissioner of Patents (Ap-

pendix, *infra*, pp. 39–40), such oaths are in fact regarded by that agency as verified basic representations of inventorship on which the entire prosecution of the applications are predicated and in reliance on which the grants of patent are made. This is so because these oaths are required by statute,[22] and are essential to the validity of the patent. *Steward* v. *American Lava Co.*, 215 U. S. 161, 168; *De La Vergne Refrigerating Machine Co.* v. *Featherstone*, 147 U. S. 209 229; *Westinghouse E. & Mfg. Co.* v. *Metropolitan E. Mfg. Co.*, 290 Fed. 661, 664 (C. C. A. 2). Moreover, the Patent Office, because of the *in camera* nature of its proceedings, must necessarily rely, and has so relied in the absence of any contrary indication, on the veracity of representations made to it under oath by applicants for patents.

5. This is the first suit reaching appellate levels since the decision in *United States* v. *American Bell Telephone Co.*, 167 U. S. 224, in which the United States, invoking the only means available therefor (*United States* v. *American Bell Telephone Co.*, 128 U. S. 315, *American Bell Telephone Co.* v. *United States*, 159 U. S. 548; *United States* v. *American Bell Telephone Co.*,

[22] Rev. Stat. 4892 (35 U. S. C. § 35) provides in part: "The applicant shall make oath that he does verily believe himself to be the original and first inventor or discoverer of the art, machine, manufacture, composition, or improvement, or of the variety of plant, for which he solicits a patent; that he does not know and does not believe that the same was ever before known or used."

167 U. S. 224), has sought to have patents cancelled for fraud in the procurement. Spurred by this Court's decisions in *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661; *Hazel-Atlas Glass Co.* v. *Hartford Empire Co.*, 322 U. S. 238; and *Precision Instrument Co.* v. *Automotive Co.*, 324 U. S. 806, the United States has brought this and other proceedings for the cancellation of patents including those patents involved in the *Hazel-Atlas* case.[23] Successful prosecution of these proceedings and the filing of complaints in others presently under investigation depend in large measure upon the principles here held to control.

Although we believe that the principle established by these cases to be clear, the decision in the instant case, we submit, demonstrates plainly the necessity for this Court to define with greater force and particularity standards of practice applicable to the Patent Office and by which such cancellation proceedings are to be governed. The court below, in denying the prayer of the United States to have Steckel Patents No. 1,744,016 and No. 1,779,195 cancelled for fraud in the procurement, failed to apply these standards by adjudicating the controversy as if it were merely one between private parties. By sanctioning the manipulation of patent applications and Patent Office procedure for purely private advantage, the court below ignored the paramount public in-

[23] *United States* v. *Hartford-Empire Co.*, Civil Action No. 554, D. C. Del., filed March 28, 1945.

terest in patents, and refused to share in that judicial concern for protecting the public against fraudulent patent monopolies manifested by this Court in the *Hazel-Atlas* and *Precision Instrument* cases. This approach, coupled with the failure below to correct the District Court's categorization as routine of the consideration given to statements made in the statutory oaths of applicants attesting to their inventions, will, if not reversed, seriously impede the efforts of the Patent Office, the agency primarily charged with the protection of the public interest in these matters, to maintain among applicants and their counsel the high standards of honesty and integrity necessary for the proper discharge of these responsibilities.

6. The expiration *pendente lite* of Patents '016 and '195 does not make this case moot or in any way lessen its importance. Inasmuch as the disposition of roughly $15,000,000 impounded in the registry of the District Court ($10,000,000 in the present case and at least $5,000,000 in *United States* v. *Thomas Steel Corp., The Cold Metal Process Co. et al.*, Civ. Action No. 24760) depends upon whether the patents are held to have been fraudulently procured, the case is obviously not moot. Most of this sum is expected to be paid to the United States if the patents are cancelled *ab initio*.[24] And

[24] This $15,000,000 was paid into the Registry of the District Court by various of respondents' licensees as royalties on and in settlement for past infringement of the patents here

the importance of the case transcends the legal principles involved and the effect upon Patent Office practice and procedure already discussed, although they are the primary bases for this petition for certiorari. In addition to the $15,000,000 comprising the impounded funds, respondents are asserting claims for infringement of these patents against the United States under the Act of June 25, 1910, as amended (36 Stat. 851, 40 Stat. 705, 35 U. S. C. § 68) totalling approximately $12,000,000. They also have filed numerous infringement suits against various members of the public seeking judgments in the aggregate sum of tens of millions of dollars, and are asserting additional claims upon which suit has not yet commenced. Their right to institute judicial proceedings on these claims is not affected by the expiration of the patents since, under 35 U. S. C. § 70, respondents may recover for infringement occurring within six years of filing suit. All of these actions will fail, if the patents are cancelled *ab initio* here. In addition, in that event, the various persons who have paid respondents large sums of

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involved, and accrued to respondents largely on Government war-time procurement. In the *Thomas Steel* case the licensee-defendants have largely conceded the Government's right under the Royalty Adjustment Act (56 Stat. 1013, 35 U. S. C. Supp. V, §§ 89–96) to the major portion of the impounded fund, if Cold Metal has no claim to it as a result of the cancellation of these patents for fraud. The United States is also seeking to recover a substantial portion of the impounded fund on another theory which has not as yet been adjudicated.

money for royalties, damages or otherwise under these patents will be entitled to restitution. *Hartford-Empire Co.* v. *Shawkee Mfg. Co.*, 163 F. 2d 474 (C. C. A. 3); *United States* v. *Hartford-Empire Co.*, 73 F. Supp. 979 (D. Del.).

CONCLUSION

This case involves questions of great importance to the Patent Office and the public. The decision below is not in harmony with rulings of this Court. For the foregoing reasons, it is respectfully submitted that this petition for a writ of certiorari should be granted.

PHILIP B. PERLMAN,
Solicitor General.

MARCH 1948.

APPENDIX

Address only
The Commissioner of Patents
Washington 25, D. C.

DEPARTMENT OF COMMERCE,
UNITED STATES PATENT OFFICE,
WASHINGTON 25, *February 13, 1948.*

Honorable PHILIP B. PERLMAN,
Solicitor General, Department of Justice,
Washington 25, D. C.

DEAR MR. PERLMAN: This is in response to your request for my views as to the effect on the procedure and practice of the Patent Office of the decision of the Circuit Court of Appeals for the Sixth Circuit in the case of *United States* v. *Cold Metal Process Co., et al.*

This Office has always had a vital interest in this case which, as you no doubt know, was instituted largely because of the request of this Office. We have followed its progress through the courts very closely because we conceived of possible repercussions on our practice, particularly in respect to the standards of ethics of applicants for patents and the members of our bar representing such applicants.

As I read the opinion to which you refer it held that on the facts found by the trial court there was no basis for cancelling the patents here *ab initio*. As I understand the facts as found, there was concealment and misrepresentation of

many pertinent facts relevant to the prosecution of the applications for these patents. The effect of the holding of the Court of Appeals is to approve as proper, practices that in my opinion clearly deceived this Office into granting patents which, had the entire truth been known as shown by the record, probably would never have issued. As a consequence of this situation and the further underlying circumstance that conflicting applications were prosecuted by a single firm of attorneys representing both applicants, this Office was placed in a position of having to issue two patents containing identical claims to common subject matter three years apart. Moreover, it is extremely doubtful that these claims would have been found to be patentable at all in the absence of the concealment and misrepresentations of pertinent facts.

You are aware of the situation that under the law the prosecution of patent applications is *ex parte* and *in camera*. This is for the protection of applicants before the Office, seeking the issuance of patents. Congress has never provided this Office either with a staff or funds necessary to independently investigate the verity of representations made in the course of the prosecution of applications. At least in two recent instances, namely the *Hartford-Empire* case and the *Precision Instrument* case, the Supreme Court, evidently recognizing the need of protecting the public, has emphasized the necessity that this Office shall be able, unless it has notice to the contrary, to accept, as true, representations made during the prosecution of the application by the applicants and their attorneys. This Office must

accept and assume that all relevant facts have been fully and truthfully revealed to it in all communications whether verified or unverified.

In my opinion if the decision of the Sixth Circuit stands the result will be to seriously impede the efforts of this Office to insure that in the prosecution of applications the applicants and their representatives act with due regard for these standards requiring full and complete disclosure of all relevant facts. Unless this Office is in a position to rely upon the verity and complete disclosure of relevant facts leading to the grant of patents, it will be much more difficult for us to assure that the public will be protected against fraudulent or illegal patents.

In addition to what I have already said, I am seriously concerned with the language of the District Court, acquiesced in by the Circuit Court of Appeals, that the statutory oaths required in connection with the prosecution of patent applications are not relied upon by this Office and are not to be regarded as affirming the truth of the facts stated. Under our practice the contrary has been true. This Office has fully relied upon these oaths and has regarded them as stating the truth to the best knowledge of the applicant. If judicial sanction of the District Court's statement is not withdrawn, this Office will have no way of knowing whether the applicant in fact believes himself to be a first inventor of the subject matter upon which a patent is sought, or is filing the oath merely as a routine matter, which the courts in this case have indicated is the manner which such oaths shall be regarded. The work of this Office will thereby be severely handicapped as it then

will not be able to give any, let alone final, weight to such oaths.

Although the decision of the Sixth Circuit raises other problems affecting the administration of the Patent Office, I have confined my discussion here to such matters as in my opinion illustrate the effect on our practice of this decision.

Sincerely,

(Signed) LAWRENCE C. KINGSLAND,
Commissioner.

LCK:lg.

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